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ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

ISSUES FOR THE MEMORANDUM

TO THE

PRESIDENT OF THE WORLD BANK

LC/NAIROBI

INTRODUCTION

Africa's economic performance in 1987 has in general not been better than during the year 1986 and continues to be a matter of great concern. The international economic environment is still not conducive to economic growth especially in so far as African countries are concerned. Official Development Assistance (ODA) on which the majority of African countries depend for the financing of their development programmes, has been stagnant and in some cases has even decreased in real terms. Private credits have almost dried up, because of the debt crisis that has seriously eroded the creditworthiness of many African countries. Export credits have also decreased significantly because African countries capacity to import has been reduced significantly due to the economic crisis still being experienced. Private foreign investment are very limited or non-existant because of the risks that foreign capital owners perceive in investing in Africa.

The African Priority Programme for Economic Recovery 1986-1990 (APPER) and the United Nations Programme of Action for Africa's Economic Recovery and Development 1986-1990 (UNPAAERD) have both defined the priority areas to be addressed and have called for increased resource flows to African countries to enable them carry through the policy and programme reforms initiated to implement the above programmes. The response of the international community has so far been disappointing in the light of the resource needs of African countries. It is in this context that the role of the World Bank is of paramount importance and African countries therefore look upon the World Bank as the main factor in increasing resource flows to the continent especially during the priority programme period (1986-1990).

1 The Capital [illegible] of the Bank

The resources of the World Bank have become the major funding for development financing in Africa. The need for more resources to implement APPER and UNPAAERD constitutes a strong argument for a substantial increase in the authorized capital of the World Bank with a view to expanding its lending programme in real terms to African countries especially during the period of the programme 1986-1990. We note with concern that the major donors do not envisage any capital increase in the near future. We urge the World Bank to persuade the major industrialized countries to reconsider their position in this important matter.

2 Special Facility for Sub-Saharan Africa

This special facility for Sub-Saharan Africa has been useful and has helped increase the flow of resources on concessional terms to Sub-Saharan Africa. However, the countries regret the fact that the facility has already committed all its resources and is to be discontinued as of July 1987. This is indeed an unwelcome development at the time when African countries are in need of resources for UNPAAERD. We appeal for the replenishment of the facility at a much higher level and request the President of the World Bank to persuade the major industrial countries to contribute generously to the Facility.

3 I.D.A.

The recently agreed eighth replenishment of IDA which amounted to US 12.4 billion is a welcome development and a sign that industrial countries donor to IDA are conscious of the need to put more resources at the disposal of this institution to enable it to fill up its mandate. This eighth replinishment is a marked improvement over the seventh replenishment which amounted only to US$9 billion but in real terms it is still lower than the sixth replenishment. Since most African countries depend heavily on IDA, its resources are of special importance to the countries. This fact ought to be reflected in the distribution of IDA resources among eligible countries: at least 50 per cent of the resources available should be devoted to the financing of development in African countries in order to ensure that the recovery takes place.

We regret the decision to reduce the repayment period of IDA loans which diminish the concessionality of loans provided by IDA and is obviously not in the interest of the poorer countries of Africa which are already experiencing an intractable debt service payments problem. We note however, that the shortening of the repayment period for more developed countries eligible for IDA could increase the volume of resources available and could increase IDA's lending to the poorer countries of Africa which are undertaking adjustment programmes under very difficult conditions.

4. IFC

Although the IFC has increased its operations in Africa over recent years, increased efforts are still needed to ensure more IFC involvement as well as its role as a catalyst for foreign private investment. This is especially important during the present period when many African countries have recognised the importance of the role of the private sector in economic development and are undertaking policy reforms designed to encourage the development of the private sector. The Special African Project Development Facility, which was established last year and was jointly sponsored by IFC, the African Development Bank and the United Nations Development Programme, was a good step in the right direction but it is too early to evaluate the impact of such facility on project identification and financing in Africa. At this stage, we appeal to the World Bank to ensure that the work of the Facility is geared towards the special and specific needs of African countries.

5. Resource flows

Bearing in mind the sharp decline in ODA in real terms over recent years, the World Bank ought to undertake special efforts to mobilise more resources on concessional terms for African countries especially the least developed ones. In this context, it should persuade the developed countries to increase the Official Development Assistance to reach the target of 0.7 per cent of GNP as called for in the International Development strategy for the third United Nations Development Decade. The Developed countries should also be urged to honour their commitment to provide 0.15 per cent of their GNP to the Least Developed countries as called for by the Substantial New Programme of Action.

In addition we appeal to the World Bank to persuade the industrial countries to take measures designed to encourage their commercial banks to resume and increase their investment and lending to African countries especially during the UNPAAERD period.

6. Africa's External Indebtedness

The debt servicing obligations of African countries are increasingly becoming a matter of great concern. The average debt to exports ratio of Africa was 349 per cent at the end of 1985 and that of the 12 most indebted African countries stood at 527 per cent in the same year. 1/ It is also estimated that between 1986 and 1990 African will need an annual amount of US 16-24 billion for servicing its external debt. African countries have embarked over recent years on programmes and policies designed to improve their balance of their external payments positions. They have also embarked on some rational debt and resource management. For these programmes and policies to succeed a solution has to be found to alleviate the debt service burden of African countries. It is in this connection that the World Bank is urged to play a role in the promotion of growth as the most effective solution for increasing the capacity of the countries to service their debts.

The World Bank should consider providing debt relief measures of its own loans especially for the least developed (low income) countries in order to alleviate their debt service commitments. In addition, the World Bank should also urge creditor countries and commercial banks to improve the terms of rescheduling by extending repayment, grace and consolidation periods. The conversion of a substantial part of LDCs Debt into grants or equity ought also to be part of the World Bank's strategy aimed at solving Africa's external debt crisis.

7. The Bank's Operations in Africa

Africa's priority programmes for economic recovery and the U.N. programme of action for Africa's economic recovery and development 1986-1990 have defined the priority areas on which the countries will concentrate in order to emerge from the crisis. In this connection, agriculture and food production were singled out to be accorded the highest priority in investment programmes during the period 1986-1990. Other sectors of activity in agriculture such as industry, health, human resources and trade should also receive special attention. The World Bank ought to orient its investment activities towards these sectors in order to help African countries achieve the recovery of their economies.

In addition we appeal to the World Bank to devote a substantial part of its resources to the fight against drought and desertification which are the biggest obstacles to agricultural recovery and development. This is especially true in the Sahelian countries of Africa which have already suffered from drought and desertification over recent years. The other Sahel Island countries also deserve a special attention due to their geographical locations especially in programmes to deal with cyclones.

1/ The Economist 27 September 1986.